Frequently Asked Questions

Frequently Asked Questions about IDAs and PILOTs Related to the Proposed North Shore Canandaigua Project

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What is the OCIDA?
OCIDA stands for the Ontario County Industrial Development Agency. An IDA is a public benefit corporation organized to construct or operate public improvements to benefit the people of New York State. The OCIDA has a board of directors with members ap¬pointed by the Ontario County Board of Supervisors. Board members serve without pay.

How were IDAs created and where do they come from?
The United States Congress created the IDA mechanism in the 1960s. The original intent of the legislation was to help the manufacturing sector expand. New York State adopted Article 18-A of the Genera Municipal Law to provide for the IDA creation in municipalities throughout New York.

Are IDAs a Governmental Agency?
No, but they are governmental entities. IDAs are public benefit corporations, a structure created by the New York State Legislature, run by a board of private citizens appointed by County government. Its meetings and records are open to the public.

What do IDAs do?
IDAs actively promote, encourage, attract and develop job and recreational opportunities while generating an increase to the local tax base. The focuses are to generate new jobs and local tax revenue from new businesses and development, to preserve jobs in a community, and to help to expand existing businesses. The goal of most IDAs is to promote economically sound commerce and industry in municipalities throughout Ontario County.

What tools are available to IDAs to accomplish their goals?
An IDA can generally provide three basic forms of financial assistance to help a project become a reality: (1) Mortgage Recording Tax Exemption; (2) Sales and Use Tax Exemption on Building Materials and Equipment; and (3) Real Property Tax Abatement through Payment-In-Lieu-of-Tax Agreements ("PILOT Agreements").

What is a Mortgage Recording Tax?
When the Ontario County Clerk records a mortgage in New York State, the mortgagor must pay a fee as a mortgage recording tax of 0.75% of the mortgage amount. This can be significant for projects like the North Shore project that involves millions of dollars of investment and substantial financing.

How do Sales and Use Taxes Apply?
Currently, the Sales and Use Tax in Ontario County is 7.5% with 4.0% going to the State and 3.5% going to the County. Under current State Law, all purchases made by the IDA or its agent(s) are exempt from this tax. The IDA, as part of its assistance to a project, can issue a sales tax exemption letter authorizing the company or the developer to act as an agent of the IDA. The company can then acquire the equipment, materials and services needed to acquire, construct, reconstruct and/or equip the project without having to pay sales or use taxes. The

exemption is generally limited to the construction, reconstruction or installation period and cannot cover ongoing operational costs.

What does Real Property Tax Abatement mean?

In New York State, property owners pay a real property tax based on the combined assessed values of the land and the improvements to that land. Any real property owned or controlled by an IDA, or in which the IDA otherwise has an interest (such as a lease), is not subject to real property taxes. However, real property owned, controlled or leased by an IDA continues to be subject to special assessments, user fees and special district taxes (such as water and sewer fees, and fire and library districts charges). When an IDA assists a project, it typically either takes title to the property or leases it and then leases it back to the company for the length of the tax abatement period. Legally this makes the property in question tax-exempt requiring the payment of no local taxes. The IDA then executes an agreement with the company to make payments in lieu of taxes ("PILOT") so the local taxing jurisdictions can receive revenue from the project.

Please explain more About PILOTs

PILOTs (Payment-In-Lieu-Of-Taxes) are payments that the company or developers agrees to make to local Affected Tax Jurisdictions ("ATJs") such as the school districts, counties, and cities, towns, or villages instead of paying property taxes due to the tax-exempt status of their property. The IDA usually acts as the agent for these payments and then forwards the appropriate amount on to each tax jurisdiction. A PILOT agreement usually lasts from 10 to 30 years after which the property is not longer "tax exempt" and the company pays regular property taxes.

What is PILOT Increment Financing?

PILOT Increment Financing ("PIF") is a flexible financial tool that allows a community promote investment in targeted redevelopment areas. PIF can create an opportunity to focus on what a community thinks is important for the area in question and what steps need to be taken to make an area more economically feasible. PIF is one of the redevelopment tools authorized by state statute to help revitalize certain areas by encouraging private investment and to ultimately enhance the tax base of the entire community. This concept originated in California in 1954, and is currently in use in some form in 49 states. In some states, this form of financing is called Tax Increment Financing or TIF.

What is a "PILOT Increment"?

The "PILOT Increment" is the difference between the current or "base" amount of PILOT payments that is paid to the ATJs under the PILOT Agreement and the amount of taxes that would have been paid if the property were on the tax rolls. This "increment" is collected from the developer with some or the entire amount used to retire the debt from financing certain improvements or costs that are essential to the project. For the proposed North Shore project, this means that ATJs will have two revenue streams for the life of the PIF agreement: (1) the current or base amount of property taxes payments, increasing by 1% per year; and (2) a portion of future tax revenues generated by the project as it builds out to completion that is not needed to retire the debt from financing the essential improvement.

What can the PIF dollars be used for?

PIF dollars can be used for infrastructure and other public improvements or to assist directly private residential, commercial, or industrial development or to cover the debt service associated with financing project improvements. Planning expenses can also be paid from PIF proceeds. In addition, the funds can be used for:

- Acquiring land and preparing it for redevelopment.
- Job training for companies within the PIF, or for companies that are planning to locate within the PIF district.
- Renovation, demolition, and rehabilitation of existing buildings in the PILOT area.
- Financing and interest subsidies for the loans a developer takes out to pay for a project.

What is the essential improvement requiring a PIF in the North Shore Project?

An evaluation of the properties' subsurface conditions shows difficult conditions for development due to soil conditions and deep depths to bedrock/stable soil. The project will require costly special deep foundation systems and preparation of some subsurface soils. These improvements will add an additional $11 million to development budget. Without the ability to finance these improvements using a PIF, the excessive costs will render the project financially infeasible and it will be unable to proceed.

How much revenue will the proposed PIF generate?

Of the two revenues streams available to ATJs, the first is the current or base amount of taxes that will increase by 1% per year. This will grow from the current $122,000 to $163,000 per year and total over $4.2 million in payments to ATJs during the term of the PIF. The second revenue stream, which comes from a portion of the new taxes owed by the developer as the project builds out to completion and after, is projected to grow from zero to nearly $875,000 per year to ATJs. This will total over $16.6 million in payments over the term of the PIF.

Why must the term of the PIF be 30 years?

The length of time relates to the term of financing for the essential improvements. A longer term is needed to obtain a lower amount of annual debt service for the improvement, which must be covered by a portion of future tax payments. The longer term also allows for a greater amount of future tax revenue available to be shared by the tax jurisdictions.

Will the PIF increase my taxes?

Having a PIF does not increase taxes of the entire community. In fact, the additional taxes generated from the North Shore project, along with expected additional tax revenue from likely "spin off" development on adjacent and nearby properties, should in the long run lessen the tax burden in the community. Said another way, the North Shore project will significantly expand the city's overall tax base. For example, the current assessed value of the project's lands is approximately $5 million. After development occurs (and beyond), the assessed value of these lands is projected to increase to approximately $75 million. The North Shore project alone will increase the overall tax base of the city by over 10%.

Will the North Shore Project PIF hurt the City or School District?

No, the North Shore PIF will create significant new tax revenue for the City, the County and the School District. The City's environmental impact study for the development found that the project will not negatively impact the costs of city and county services. In addition, based other projects with a similar type and mix of residential uses, the North Shore project is expected to generate few school-age children for the School District.

Does the PIF require the City or the School District to take on debt or expend tax dollars?

The North Shore project PIF will not require any debt to be incurred or guaranteed by the City, County, or School District. All debt financing associated with property will be the direct liability of the developer and the tax jurisdictions will have no risk or liability associated with the borrowed funds. Also the PIF will not require any of the tax jurisdictions to spend moneys from their respective budgets.